



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

**BULLETIN NO. 12
CHANGES FOR 2006
NOVEMBER 30, 2005**

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2006 ASSESSMENT YEAR**

There are several procedural changes which assessment administrators must be aware of for the 2006 assessment year. The purpose of this bulletin is to provide instruction for the procedural changes in the following eight subjects, which are also detailed below:

- A) **The Inflation Rate Used in the Calculation of 2006 Capped Value.**
 - B) **The 2006 Model Notice of Assessment, Taxable Valuation and Property Classification Required by Michigan Compiled Law (MCL) 211.24c.**
 - C) **The Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2006.**
 - D) **Updated Multipliers for Freestanding Communication Towers.**
 - E) **Board of Review Denial of Classification Appeal.**
 - F) **Millages After April 30 (P.A. 12 of 2005).**
 - G) **Authority to Correct an Incorrect Uncapping (P.A. 23 of 2005).**
 - H) **Clarification of Conservation Exemption (P.A. 576 of 2004).**
- A. Inflation Rate Used in the 2006 Capped Value Formula.**

The inflation rate, expressed as a multiplier, to be used in the 2006 Capped Value formula is 1.033.

The 2006 Capped Value Formula is as follows:

$$\text{2006 CAPPED VALUE} = (\text{2005 Taxable Value} - \text{LOSSES}) \times 1.033 + \text{ADDITIONS}$$

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.033 is lower than 1.05.

B. Model Notice of Assessment, Taxable Valuation, and Property Classification (MCL 211.24c) for 2006.

Forms L-4400 (1019) and L-4400LH (4093) may be found on the Treasury Department Web site at www.michigan.gov/treasury. On the main Treasury page, click on Local Government, then Forms/Instructions, then **Property Tax – Board of Review**, and then click on **#4093 and/or #1019**.

Form L-4400 (1019) is the 2006 Notice of Assessment, Taxable Valuation, and Property Classification. Form L-4400LH (4093) is the form used when the assessor does not establish separate parcel codes for Leasehold Improvements (LHI). Please see the STC memo dated July 17, 2003, which can be found at www.michigan.gov/treasury, click on Local Government and then State Tax Commission, under the heading **Letters/Memos/Correspondence**.

C. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2006.

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002. These changes were explained to assessors in STC Bulletin No. 5 of 1995 and page 3 of STC Bulletin No. 1 of 2003.

One of the provisions of PA 620 of 2002 is that local governing bodies are required to set income levels for their poverty exemption guidelines and that those income levels SHALL NOT BE SET LOWER by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons SHALL NOT be set lower than \$16,090 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than \$16,090.

FEDERAL POVERTY GUIDELINES FOR 2006 ASSESSMENTS

The following are the federal poverty guidelines as of 12-31-05 for use in setting poverty exemption guidelines for 2006 assessments.

Size of Family Unit	Poverty Guidelines
1	\$ 9,570
2	\$ 12,830
3	\$ 16,090

Size of Family Unit	Poverty Guidelines
4	\$ 19,350
5	\$ 22,610
6	\$ 25,870
7	\$ 29,130
8	\$ 32,390
For each additional person, add	\$ 3,260

IMPORTANT NOTE: PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit SHALL also include an asset level test.

D. Updated Multipliers for the Valuation of Free-Standing Communication Towers.

State Tax Commission Bulletin No. 3 of 2000 contains guidance to assessors regarding the valuation of free-standing communication towers (See pages 7 to 9 of STC Bulletin No. 3 of 2000.)

Listed below are updated multipliers for the valuation of freestanding communication towers by the cost approach to value for assessment year 2006.

Multipliers for Free-standing Communication Towers

AGE	MULTIPLIER	AGE	MULTIPLIER
1	.97	21	.91
2	1.03	22	.87
3	1.02	23	.90
4	1.01	24	.91
5	.99	25	.95
6	.99	26	.98
7	.98	27	1.08
8	.97	28	1.11
9	.97	29	1.16
10	.97	30	1.18
11	.97	31	1.27
12	.96	32	1.37
13	.96	33	1.44
14	.95	34	1.54
15	.92	35	1.71
16	.91	36	1.74
17	.91	37	1.90
18	.91	38	1.98
19	.91	39	2.09
20	.91	40	2.15

E. Board of Review Denial of Classification Appeal.

The State Tax Commission at their meeting on October 25, 2005 adopted the following regarding property classification appeals:

1. The Commission eliminated the use of form 4036, which is used only to request a petition to appeal.
2. Beginning in 2006, the Commission is **requiring Boards of Review** with their notice of denial of a classification appeal **to provide form 2167**, which is the petition for appeal to the STC, to the taxpayer. This form may be found on the Treasury Department Web site at www.michigan.gov/treasury. On the main Treasury page, click on Local Government, then Forms/Instructions, then Property Tax Forms – Classification Appeals.

F. Millages After April 30 (P.A. 12 of 2005).

Starting in 2005, P.A. 12 of 2005 provides that the date contained in MCL 211.34d(9) has changed from May 31 to April 30. This means that, starting in 2005, a millage authorized by the voters **after April 30** is not subject to a “Headlee” Millage Rollback until the year following the year of the voter authorization. **Please see Bulletin No. 7 of 2005 for details.**

G. Authority to Correct an Incorrect Uncapping (P.A. 23 of 2005).

P.A. 23 of 2005 was enacted into law on May 23, 2005 with an effective date of May 23, 2005. This law grants the July or December Board of Review the authority to correct the taxable value of property which was previously uncapped (due to a perceived transfer of ownership) if the assessor later determines that there had **NOT** been a transfer of ownership of that property after all. This authority applies to the current year and the 3 immediately preceding years. **Please see Bulletin No. 9 of 2005 for more details.**

H. Clarification of Conservation Exemption (P.A. 576 of 2004).

Governor Granholm signed P.A. 576 of 2004 on January 3, 2005, with an effective date of January 4, 2005. This act seeks to clarify that real property of a nonprofit charitable institution or trust held for recreational purposes is exempt from taxation. Because the effective date of this law was after December 31, 2004 (tax day for 2005 assessments), **this was not an exemption for the 2005 assessment roll, but instead the change in the law takes effect for the 2006 assessment roll.**

Prior to the passage of P.A. 576 of 2004, these properties likely already qualified for exemption under the exemption for charitable organizations. P.A. 576 of 2004 amended the General Property Tax Act to clarify that real property of a nonprofit charitable institution or charitable trust that is held for conservation purposes and is open to the public generally for educational or recreational purposes is exempt from taxation. This amendment also defines that educational and recreational purposes are including but not limited to low impact, nondestructive activities such as hiking, bird watching, cross-country skiing or snowshoeing.

MCL 211.7o as changed by this act now reads as follows:

(5) Real property owned by a qualified conservation organization that is held for conservation purposes and that is open to all residents of this state for educational or recreational use, including, but not limited to, low-impact, nondestructive activities such as hiking, bird watching, cross-country skiing, or snowshoeing is exempt from the collection of taxes under this act. As used in this subsection, "qualified conservation organization" means a nonprofit charitable institution or a charitable trust that meets all of the following conditions:

(a) Is organized or established, as reflected in its articles of incorporation or trust documents, for the purpose of acquiring, maintaining, and protecting nature sanctuaries, nature preserves, and natural areas in this state, that predominantly contain natural habitat for fish, wildlife, and plants.

(b) Is required under its articles of incorporation, bylaws, or trust documents to hold in perpetuity property acquired for the purposes described in subdivision (a) unless both of the following conditions are satisfied:

(i) That property is no longer suitable for the purposes described in subdivision (a).

(ii) The sale of the property is approved by a majority vote of the members or trustees.

(c) Its articles of incorporation, bylaws, or trust documents prohibit any officer, shareholder, board member, employee, or trustee or the family member of an officer, shareholder, board member, employee, or trustee from benefiting from the sale of property acquired for the purposes described in subdivision (a).